



Daily Outlook

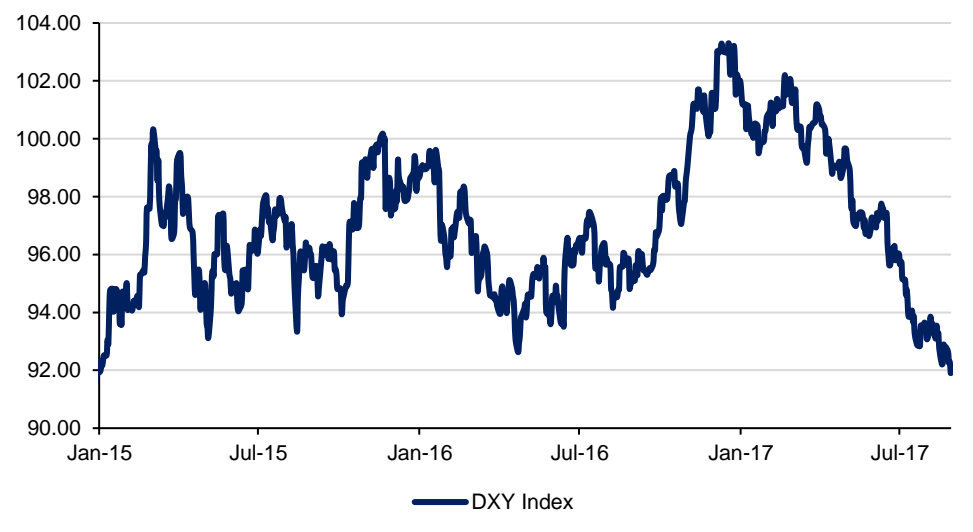
The ECB kept policy on hold at its meeting on Thursday, continuing to pump EUR 60bn a month into the regional economy through asset purchases. While the ECB was steady, commentary from president Mario Draghi affirmed the market's expectation that policy was on track to begin normalising from 2018. Mr Draghi said the bank would decide on the 'calibration' of policy in the autumn, implying that asset purchases would begin to slow. Mr Draghi gave no clear timeline for the pace of tapering the ECB's extraordinary policy but did indicate that rate rises would only occur well after the ECB stopped its debt purchases. The Euro closed the week above 1.20, its highest level since 2015.

There are growing signs that current high level of the Euro is hitting regional economic activity, providing some space for the ECB to push any discussion of rate hikes even further out. German trade data out at the end of the week showed a decline in the trade surplus to EUR 19.5bn in July, down from more than EUR 21bn in June. Meanwhile industrial production in France and Spain remains positive in annual terms but is showing signs of slowing down as Q3 began.

Trade figures out of China showed improving import demand in August, up 13.3% y/y, likely spurred by the high commodity prices available to Chinese heavy industry firms. Export growth slowed for a second month running to 5.5%. China's overall trade balance shrank month/month to USD 42bn from 47bn in July.

Saudi Arabia is revising a section of its Vision 2030 known as the National Transformation Plan (NTP) in an effort to streamline the NTP to make it easier to deliver. Saudi official sources have stressed that key policies, including fiscal reforms and a massive privatization program, won't be affected by the review. The NTP was published in June 2016 and aims to modernize the economy. News sources indicated the new revised plan known as NTP 2.0 is likely to be completed by October, and will include 36 new objectives such as improving healthcare access, increasing women's participation in the workforce and developing the digital economy.

Dollar Index falls to lowest levels since January 2015



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
TU Q2 GDP y/y	11:00	5.3%	CA Housing starts	16:45	216k

Source: Bloomberg

Fixed Income

Commentary from Federal Reserve officials continued to remain dovish in light of limited wage growth and subdued inflation growth. The market also seem be pricing in the possibility of the Federal Reserve remaining on an extended hold as the hurricane season threatens to impact economic activity negatively. When the lingering tension over North Korea is added to the mix, it comes as no surprise to see US Treasuries end the week higher. Yields were lower across the curve with 2y USTs yielding 1.26% (-8 bps), 10y USTs 2.05% (-11 bps) and 30y USTs 2.77% (-11 bps).

The trend was similar in Eurozone sovereigns as the ECB meeting did not throw up any surprises. However, the yields did rise marginally after Reuters reported that the ECB did discuss hawkish scenarios for the ongoing QE program. Overall, yields on 10y Bunds dropped 7 bps to 0.31% and on 10y Gilts by 6 bps to 0.99%. Gilt yields dropped below 1.0% for the first time since June 2017. The Bank of England is expect to maintain status quo when it meets later this week.

GCC investors benefitted from decline in global benchmark yields even as local investors were away at the start of the week for holidays. The yield on the Bloomberg Barclays GCC Credit and High Yield index declined 6 bps to 3.35% while credit spreads widened by 2 bps to 167 bps.

According to reports, Al Hilal Bank raised USD 100mn in private placement under the bank's EMTN program.

On ratings front, Fitch downgraded Alternatifbank's USD-denominated guaranteed notes to A from A+ and removed the negative watch on ratings. The action follows the downgrade of Commercial Bank of Qatar's rating to A/Negative late last month. Fitch also affirmed ratings and stable outlook on Arab National Bank (BBB+), Riyad Bank (A-), Al Rajhi (A-), Samba (A-) and National Commercial Bank (A-). For SABB (A-) and Banque Saudi Fransi (A-) the rating was affirmed and outlook changed from negative to stable.

FX

The Dollar Index declined 1.6% over the course of last week, falling from 92.81 to 91.33 and even falling as low as 91.01 during Friday's trading session. These levels have not seen since early January 2015 and contribute to technical developments which leave the index looking vulnerable to greater declines. We had mentioned in our [20th August edition of the FX Week](#) that despite earlier gains to 93.42, the daily downtrend that has been in effect since January 6th 2017 remains firmly intact and highlighted the risks of further declines towards the one year lows of 92.55 being a distinct possibility. The declines over the last week materialized into a sustained break of this level and with new yearly lows reached, the risks continue to remain to the downside. We would expect a break and close below the 50% five year Fibonacci retracement of 91.21 to lead to further declines towards 88.23, the 38.2% five year Fibonacci retracement.

Equities

Regional equity indices traded in a narrow range with volumes continuing to remain sluggish. The Tadawul rallied +0.2% on the back of strength in banking stocks. Elsewhere, Drake & Scull gained +1.1% after the company's chairman resigned for personal reasons.

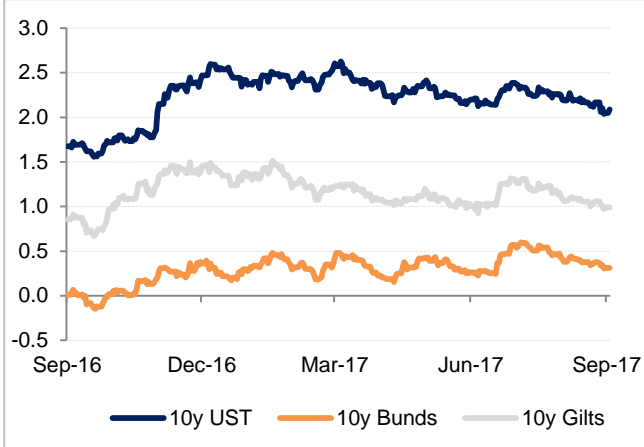
Commodities

As oil markets reeled from the impact of Hurricane Harvey at the start of last week, Hurricane Irma threatened to roil markets at the close. Oil prices managed small gains over the course of the week—WTI futures up 0.4% and Brent up nearly 2%—but fell sharply on Friday as Irma's impact approached. EIA data released at the end of last week showed that Harvey had a larger impact on production than expected: US crude output fell 749k b/d, an enormous weekly decrease. Refinery demand also crashed, as expected, to less than 80% utilization. The decline in output and refinery demand meant there was little overall change to inventories week-on-week.

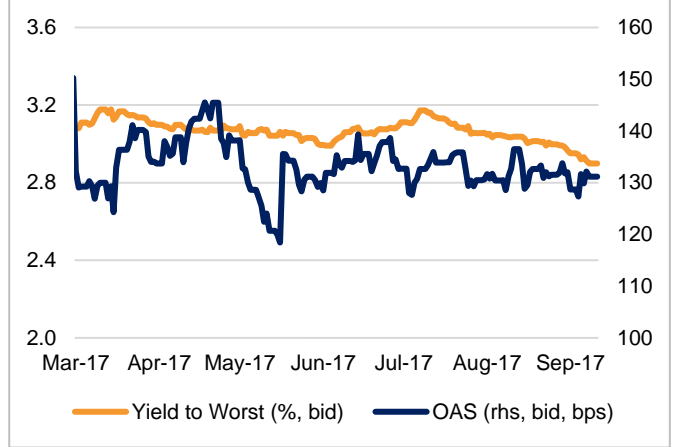
The benchmark futures curves remain split in their signals for the market. The front of the WTI curve remains in a reasonably steep contango—the 1-2 month closed at nearly USD 0.60/b—while backwardation has returned to the front of the Brent curve: 1-2 month spread closed the week at USD 0.20/b. Disruptions to US supply will help to reinforce the backwardation in Brent as international oil flows tighten, helping MENA producers. Whether OPEC producers can resist the temptation to increase production with benchmark prices nearing on USD 55/b will determine if the backwardation remains intact.

Markets in Charts

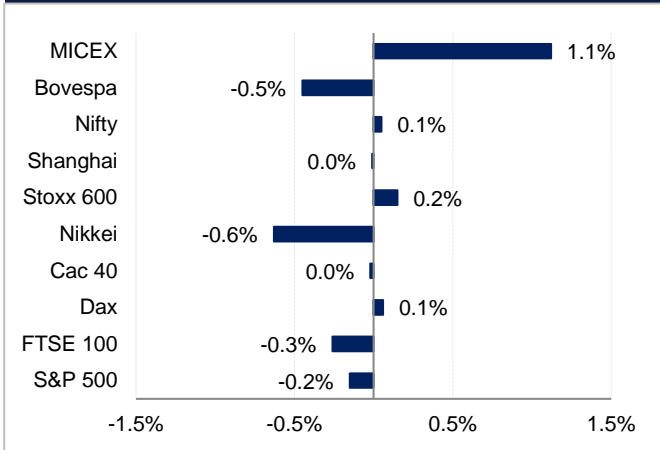
Global Bond Yields



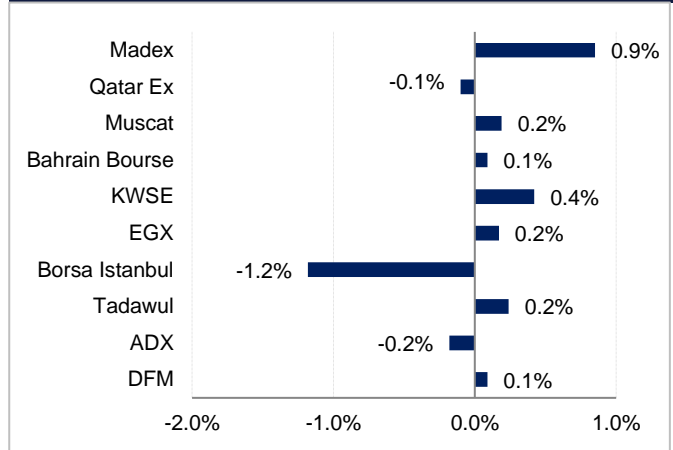
UAE liquid bond index



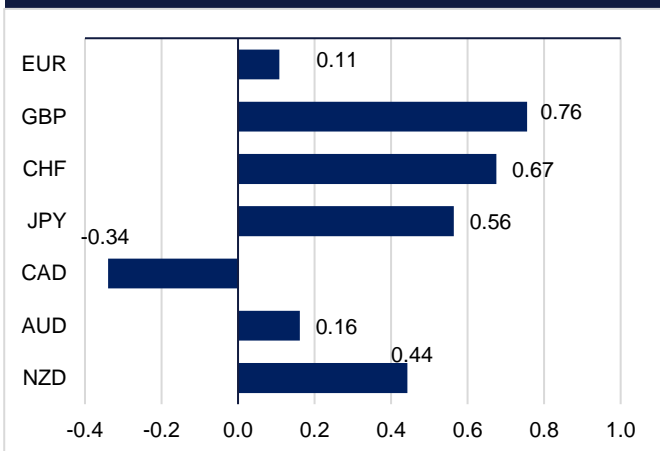
Global Equity Indices



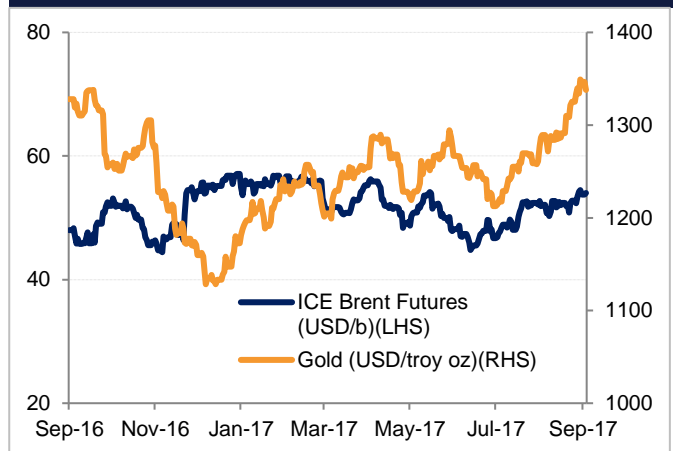
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2036	+0.11	1.2283	USDTRY	3.4115	+0.21	EURAED	4.4208	+0.10
GBPUSD	1.3200	+0.76	1.3354	USDEGP	17.6399	-0.16	GBPAED	4.8473	+0.73
USDJPY	107.84	-0.56	105.82	USDSAR	3.7502	--	JPYAED	0.0341	+0.56
USDCAD	1.2159	+0.36	1.2171	USDQAR	3.6800	-0.41	CADAED	3.0210	-0.34
AUDUSD	0.8060	+0.16	0.8019	USDKWD	0.3009	-0.14	AUDAED	2.9597	+0.14
USDCHF	0.9442	-0.67	0.9211	USDBHD	0.3771	--	CHFAED	3.8898	+0.67
EURGBP	0.9119	-0.63	0.9199	USDOMR	0.3850	--	TRYAED	1.0800	+0.10
USDAED	3.6730	--	3.6800	USDINR	63.8512	-0.30	INRAED	0.0574	+0.02

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3397	1.5488	1.7622	2.1255	USD 2 yr	1.502	-0
USD LIBOR	1.2361	1.3103	1.4477	1.6951	USD 5 yr	1.717	+1
GBP LIBOR	0.2517	0.2855	0.3979	0.5873	USD 10 yr	2.013	+1
JPY LIBOR	-0.0480	-0.0321	-0.0049	0.1121	EUR 2 yr	-0.197	+1
CHF LIBOR	-0.7856	-0.7262	-0.6516	-0.5086	EUR 5 yr	0.139	+1
					EUR 10 yr	0.772	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1346.59	-0.19	ADGB 6.75 19	1.62	-4	Abu Dhabi	57	--
Silver	17.96	-0.93	DUGB 7.75 20	2.46	+1	Dubai	121	--
Oil (WTI)	47.48	-3.28	QATAR 6.55 19	1.99	-4	Qatar	90	-3
Aluminium	2071.50	-0.53	US Tsy 2 yr	1.26	--	Saudi Arabia	85	-1
Copper	6672.25	-2.93	US Tsy 10 yr	2.05	+1	Bahrain	232	--

Source: Bloomberg, Emirates NBD Research

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